

KAMLOOPS ELIZABETH FRY HOUSING SOCIETY

Financial Statements

Year Ended March 31, 2021

KAMLOOPS ELIZABETH FRY HOUSING SOCIETY

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Year Ended March 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Members of Kamloops Elizabeth Fry Housing Society

Report on the Financial Statements

Opinion

We have audited the financial statements of Kamloops Elizabeth Fry Housing Society (the "Society"), which comprise the statement of financial position as at March 31, 2021, and the statements of changes in net assets, operations, replacement reserve and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies. The financial statements have been prepared by the management of the Society based on the financial reporting provisions of Section 5.14.1.2 of the contract dated August 26, 1999 between the Society and British Columbia Housing Management Commission ("the contract").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at March 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with the financial reporting provisions of Section 5.14.1.2 of the contract dated August 26, 1999.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provision of Section 5.14.1.2 of the contract, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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Independent Auditor's Report to the Members of Kamloops Elizabeth Fry Housing Society (*continued*)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

As required by the Societies Act (British Columbia), we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with the financial reporting provisions of Section 5.14.1.2 of the contract have been on a basis consistent with that of the preceding year.

Basis of Accounting

We draw your attention to Note 3(a) to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Society to comply with the financial reporting provisions of the contract referred to above.



Kamloops, British Columbia
July 30, 2021

CHARTERED PROFESSIONAL ACCOUNTANTS

KAMLOOPS ELIZABETH FRY HOUSING SOCIETY**Statement of Financial Position****March 31, 2021**

	2021	2020
ASSETS		
CURRENT		
Cash	\$ 98,105	\$ 74,284
GST rebate receivable	-	6,632
	<u>98,105</u>	80,916
REPLACEMENT RESERVE FUNDS	118,243	102,220
TANGIBLE CAPITAL ASSETS (Note 5)	<u>2,847,984</u>	3,007,994
	<u>\$ 3,064,332</u>	<u>\$ 3,191,130</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities (Note 6)	\$ 38,731	\$ 35,244
Deferred rental revenue	15,908	17,277
Due to The Kamloops and District Elizabeth Fry Society	29,700	13,229
Current portion of long term debt (Note 7)	<u>163,997</u>	159,538
	248,336	225,288
LONG TERM DEBT (Note 7)	2,683,987	2,848,456
REPLACEMENT RESERVE	<u>118,243</u>	102,220
	3,050,566	3,175,964
UNRESTRICTED NET ASSETS	<u>13,766</u>	15,166
	<u>\$ 3,064,332</u>	<u>\$ 3,191,130</u>

CONTINGENT LIABILITY (Note 10)

SUBSEQUENT EVENTS (Note 11)

ON BEHALF OF THE BOARD

Jennifer Murphy Director

Robert Tallon Director

See notes to financial statements

KAMLOOPS ELIZABETH FRY HOUSING SOCIETY

Statement of Changes in Net Assets

Year Ended March 31, 2021

	2021	2020
UNRESTRICTED NET ASSETS - BEGINNING OF YEAR	\$ 15,166	\$ (31,889)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FOR THE YEAR	(1,400)	47,055
UNRESTRICTED NET ASSETS - END OF YEAR	\$ 13,766	\$ 15,166

See notes to financial statements

KAMLOOPS ELIZABETH FRY HOUSING SOCIETY

**Statement of Operations
Year Ended March 31, 2021**

	2021	2020
REVENUE		
BC Housing - rental subsidy	\$ 108,204	\$ 144,774
Rental	373,936	370,291
Interest and sundry	307	2,866
Pandemic pay - Minister of Finance	2,482	-
	<u>484,929</u>	<u>517,931</u>
EXPENSES		
Administration		
Audit, accounting and legal	7,068	7,068
Office and sundry	6,689	7,486
Wages and employee benefits	30,338	26,883
Bad debts	867	-
BCNPHA fees	290	843
Insurance	19,026	13,828
Mortgage interest and amortization	240,554	240,554
Property taxes	20,744	50,144
Repairs and maintenance		
Building	17,611	20,663
Grounds	252	-
Service contracts	6,607	6,078
Wages and benefits	37,483	28,777
Replacement reserve provision	39,744	39,744
Utilities		
Electricity	11,877	12,235
Garbage removal	1,869	1,936
Heating and hot water	19,061	14,560
Water and sewer	22,075	21,353
	<u>482,155</u>	<u>492,152</u>
EXCESS OF REVENUE OVER EXPENSES FROM OPERATIONS	<u>2,774</u>	<u>25,779</u>
OTHER INCOME (EXPENSES)		
Rent subsidy adjustments (<i>Note 8</i>)	(4,174)	1,871
Insurance proceeds - rental	-	19,405
	<u>(4,174)</u>	<u>21,276</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FOR THE YEAR	<u>\$ (1,400)</u>	<u>\$ 47,055</u>

See notes to financial statements

KAMLOOPS ELIZABETH FRY HOUSING SOCIETY

Statement of Replacement Reserve

Year Ended March 31, 2021

	2021	2020
BALANCE, beginning of year	\$ 102,220	\$ 124,096
ADDITIONS		
Interest earned	1,988	1,294
Current year provision	39,744	39,744
	<u>41,732</u>	<u>41,038</u>
	<u>143,952</u>	<u>165,134</u>
DISBURSEMENTS		
Appliances	4,595	4,423
Flooring	10,582	4,561
Insurance deductible	-	9,540
Painting	10,532	37,029
Capital Plan	-	1,868
Countertop	-	1,046
HVAC	-	4,447
	<u>25,709</u>	<u>62,914</u>
BALANCE, end of year	\$ 118,243	\$ 102,220

Under the terms of the agreement with BC Housing, the Replacement Reserve accounts are to be credited in the amount determined by the budget provision per annum plus interest earned. These funds along with the accumulated interest must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or the Credit Union Deposit Insurance Corporation; in investments guaranteed by a Canadian government; or in other investment instruments as agreed upon with BC Housing.

The reserve funds may only be used for capital repairs and replacements in accordance with the operating agreement.

As at March 31, 2021, the replacement reserve was funded and maintained in accordance with the operating agreement and all interest accruing to the fund has been recorded.

KAMLOOPS ELIZABETH FRY HOUSING SOCIETY

Statement of Cash Flows
Year Ended March 31, 2021

	<u>2021</u>	<u>2020</u>
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses for the year	<u>\$ (1,400)</u>	<u>\$ 47,055</u>
Changes in non-cash working capital:		
GST rebate receivable	6,632	(1,422)
Due to The Kamloops and District Elizabeth Fry Society	16,471	(28,050)
Accounts payable and accrued liabilities	3,487	(18,143)
Deferred revenue	<u>(1,369)</u>	<u>375</u>
	<u>25,221</u>	<u>(47,240)</u>
INCREASE (DECREASE) IN CASH FLOWS	23,821	(185)
CASH - BEGINNING OF YEAR	<u>74,284</u>	<u>74,469</u>
CASH - END OF YEAR	<u>\$ 98,105</u>	<u>\$ 74,284</u>

See notes to financial statements

KAMLOOPS ELIZABETH FRY HOUSING SOCIETY

Notes to Financial Statements

Year Ended March 31, 2021

1. PURPOSES OF THE SOCIETY

Kamloops Elizabeth Fry Housing Society (the "Society") entered into a Homes BC Agreement with BC Housing Management Commission (BC Housing) to construct and operate a 46 unit housing project (Elizabeth Court) at 130 St. Paul Street, Kamloops, B.C. In accordance with that agreement, a new Society, Kamloops Elizabeth Fry Housing Society was formed to take over, upon completion, the ownership and operation of the project. The project was completed and transferred on July 1, 2000.

The Society was incorporated on August 19, 1999 under the Society Act of British Columbia and is not subject to income tax. The purposes are to work in the field of justice, particularly as it relates to women and youth; to promote the development of constructive attitudes, procedures and rehabilitative programs in the correctional system; to promote better understanding in the community of the needs of persons in conflict with the justice system and the means by which the community may assist them; and to own and operate community social housing projects.

The Board of Directors and purposes are common for both Societies. Kamloops Elizabeth Fry Housing Society is controlled by The Kamloops and District Elizabeth Fry Society. Consolidated financial statements are not prepared - see Note 4 for further details.

2. COVID-19 AND CONTINUITY OF OPERATIONS

These financial statements were prepared using accounting standards that apply to an operating Society. This assumes that the Society will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

In March 2020, the World Health Organization declared a global pandemic due to COVID-19. Following this event, the Society has continued to operate.

The Society's operating results and fiscal position for the year ended March 31, 2021 do not cast any significant doubts on the Society's ability to continue as a going concern.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

The financial statements were prepared in accordance with the significant accounting policies set out below to comply with Section 5.14.1.2 of the contract dated August 26, 1999 with British Columbia Housing Management Commission.

(continues)

KAMLOOPS ELIZABETH FRY HOUSING SOCIETY

Notes to Financial Statements

Year Ended March 31, 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Revenue recognition

The Society follows the deferral method of accounting for contributions. Restricted contributions will be recognized as revenue in the period in which the related expenses are incurred. Unrestricted contributions will be recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

The Society recognizes rental revenue when it is earned, specifically when all the following conditions are met:

- There is clear evidence that an arrangement exists
- Amounts are fixed or can be determined
- The ability to collect is reasonably assured

(c) Fund accounting

As the Society only operates one housing project, fund accounting is not used.

(d) Tangible capital assets and amortization

Tangible capital assets are recorded and amortized in accordance with BC Housing budget policy, which is not in accordance with Canadian generally accepted accounting principles for the amortization of tangible capital assets. Initial development costs include land lease, building, building fixtures and equipment. They are recorded at cost and amortized on an increasing charge basis equal to the annual principal reduction of the long-term debt. Replacement reserves, in accordance with BC Housing policy, are maintained for future tangible capital asset replacement and repair. Annual provisions to increase the reserves are recorded as operating expenses. Disbursements from the separately maintained fund must be approved by BC Housing. Capital additions or improvements not covered under replacement reserve policy are recorded as operating expenses in the year of purchase.

(e) Financial instruments policy

Measurement of Financial Instruments

Financial assets include cash, GST rebate receivable and replacement reserve funds and are measured at amortized cost as presented on the balance sheet.

Financial liabilities include accounts payable and accrued liabilities, long-term debt and replacement reserves and are measured at amortized cost as presented on the balance sheet.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

(continues)

KAMLOOPS ELIZABETH FRY HOUSING SOCIETY

Notes to Financial Statements

Year Ended March 31, 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Measurement uncertainty

The preparation of financial statements in conformity with the financial reporting provisions of Section 5.14.1.2 of the contract dated August 26, 1999 requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

4. CONTROLLED SOCIETY

The Society is controlled by The Kamloops and District Elizabeth Fry Society, incorporated under the Society Act of British Columbia. It is registered as a charitable organization under the Income Tax Act and is not subject to income tax. The summary financial statements of The Kamloops and District Elizabeth Fry Society are as follows:

	<u>2021</u>	<u>2020</u>
FINANCIAL POSITION		
Total assets	<u>\$ 3,761,262</u>	<u>\$ 3,697,392</u>
Total liabilities	<u>\$ 3,164,942</u>	<u>\$ 3,168,929</u>
Total net assets	<u>596,320</u>	<u>528,463</u>
	<u>\$ 3,761,262</u>	<u>\$ 3,697,392</u>
OPERATIONS		
Total revenue	<u>\$ 2,132,434</u>	<u>\$ 1,954,823</u>
Total expenses	<u>(2,064,577)</u>	<u>(1,939,330)</u>
Excess of revenue over expenses	<u>\$ 67,857</u>	<u>\$ 15,493</u>
CASH FLOWS		
Net increase in operating activities	<u>\$ 192,605</u>	<u>\$ 263,268</u>
Net decrease in financial activities	<u>(14,763)</u>	<u>(13,946)</u>
Net decrease in investing activities	<u>(41,356)</u>	<u>(2,618)</u>
Net increase in cash	<u>\$ 136,486</u>	<u>\$ 246,704</u>

KAMLOOPS ELIZABETH FRY HOUSING SOCIETY

Notes to Financial Statements

Year Ended March 31, 2021

5. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
Elizabeth Court	\$ 4,906,200	\$ 2,058,216	\$ 2,847,984	\$ 3,007,994

The tangible capital assets include land lease, building fixtures and equipment.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2021	2020
Accounts payable and accrued liabilities	\$ 23,481	\$ 20,701
Damage deposits refundable	15,250	14,543
	\$ 38,731	\$ 35,244

7. LONG TERM DEBT

	2021	2020
MCAP, mortgage, repayable in monthly installments of \$20,046 including interest at 2.76% per annum, secured by Elizabeth Court property including assignment of rents, due July 1, 2025	\$ 2,847,984	\$ 3,007,994
Amounts payable within one year	(163,997)	(159,538)
	\$ 2,683,987	\$ 2,848,456

Principal repayment terms are approximately:

2022	\$ 163,997
2023	168,581
2024	173,293
2025	178,137
2026	183,116
Thereafter	1,980,860
	\$ 2,847,984

8. RENT SUBSIDY ADJUSTMENTS

BC Housing conducts an annual review of the financial statements and may adjust for any operating surplus or deficit. Prior year's funding adjustments are recognized in the fiscal year they are determined. In the March 31, 2021 year end, subsidies of \$4,174.00 were repaid to BC Housing (March 31, 2020 - \$1,871 of subsidies was received from BC Housing).

KAMLOOPS ELIZABETH FRY HOUSING SOCIETY

Notes to Financial Statements

Year Ended March 31, 2021

9. BC HOUSING OPERATING AGREEMENT

The housing project is developed and operated in accordance with the policies and programs of BC Housing. Various subsidy arrangements available from BC Housing require submission and approval of an annual operating budget. Any excess of revenue over expenses may be retained, with the approval of BC Housing, as unrestricted net assets.

10. CONTINGENT LIABILITY

The cumulative non-Rent-Geared-to-Income (non-RGI) assistance of \$236,365 as at March 31, 2021 is contingently repayable to BCHMC in the event that the total non-RGI tenant rent contribution in any year exceeds the economic rent of the suites occupied by non-RGI tenants. The Society is required to commence repayment of the cumulative non-RGI assistance on the first day of the fiscal year following the fiscal year in which the preceding event occurs.

The balance then bears interest at bank prime and the required monthly payments are set annually, based upon the amount by which non-RGI tenant rent contribution exceeds economic rent for these suites in the prior year.

Repayable Assistance:

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 229,878	\$ 221,281
Additions in the year	6,487	8,597
Balance, end of year	<u>\$ 236,365</u>	<u>\$ 229,878</u>

11. SUBSEQUENT EVENTS

On June 25, 2021, there was a large flood in the Elizabeth Court building that impacted six units. The affected tenants were not able to remain in their rental units and are being housed in hotels until August 2021, when the repairs are expected to have been completed. The financial impact on the organization cannot be estimated at this time.

KAMLOOPS ELIZABETH FRY HOUSING SOCIETY

Notes to Financial Statements

Year Ended March 31, 2021

12. FINANCIAL INSTRUMENTS

The Society is exposed to various risks through its financial instruments. The following analysis provides information about the Society's risk exposure and concentration as of March 31, 2021.

(a) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Society is exposed to this risk mainly in respect of its long-term debt, amount due to a related party and accounts payable.

(b) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Society manages exposure through its normal operating and financing activities. The Society is exposed to interest rate risk primarily through its fixed interest rate financial instruments.

The carrying value of all secured financial liabilities amounts to \$2,847,984 (March 31, 2020 - \$3,007,994).

Unless otherwise noted, it is management's opinion that the Society is not exposed to significant other price risks arising from these financial instruments.

KAMLOOPS ELIZABETH FRY HOUSING SOCIETY
Statement of Operations - Elizabeth Court - Actual to Budget *(Schedule 1)*
Year Ended March 31, 2021

	Budget 2021	Actual 2021
REVENUE		
BC Housing - rental subsidy	\$ 108,204	\$ 108,204
Interest and sundry	2,060	307
Rental	384,520	373,936
Pandemic pay - Minister of Finance	-	2,482
	494,784	484,929
EXPENSES		
Administrative		
Audit and legal	6,700	7,068
Office overhead and other	7,500	6,689
Wages and benefits	25,655	30,338
Bad debts	-	867
BCNPHA fees	693	290
Insurance	10,700	19,026
Mortgage interest and amortization	240,554	240,554
Property taxes	44,500	20,744
Repairs and maintenance		
Building	34,438	17,611
Grounds	800	252
Service contracts	5,800	6,607
Wages and benefits	27,500	37,483
Replacement reserve provision	39,744	39,744
Utilities		
Electricity	13,600	11,877
Garbage removal	1,600	1,869
Heating and hot water	20,000	19,061
Water and sewer	15,000	22,075
	494,784	482,155
	\$ -	\$ 2,774

See notes to financial statements